



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson

**SUBJECT: PROPOSED CHANGES TO
THE CITY'S INVESTMENT
REPORTING**

DATE: March 18, 2004

Approved

Date

COUNCIL DISTRICT: City-wide
SNI AREA: N/A

RECOMMENDATION

It is recommended that the City Council adopt a resolution to revise the City of San Jose Investment Policy to change the frequency of the investment reporting as follows:

- From the current monthly detailed reporting format to a quarterly report;
- An abbreviated monthly investment report to be distributed through an electronic means to the City Council.

The Finance Department intends to post both reports on the City's website to facilitate convenient access to the public. In the event of any unforeseen technological issues, the Director of Finance will distribute the reports in written form.

BACKGROUND

On February 11, 2004, staff presented a summary of the City's Investment Report for the quarter ended December 31, 2003 to the Making Government Work Better Committee (MGWB Committee). As part of this presentation, and as a means of streamlining the reporting of the City's investment performance while reducing preparation costs for the investment report, staff recommended that the City's Investment Policy requirement for the reporting of investment activity be revised from monthly to quarterly, consistent with requirements set forth by the State of California Government Code. During discussion on the item, the MGWB Committee directed staff to review the feasibility of providing the Council with an abbreviated monthly report that could be distributed electronically and be accessible to the public by placing it on the City's website.

As directed by the MGWB Committee, staff has developed an abbreviated monthly report that can be distributed to the City Council electronically and placed on the City's website for public access (see attached draft report). In addition, staff will prepare a detailed quarterly report which

will be presented to the MGWB Committee. The quarterly report will also be made available on the City's website. The proposed new reporting requirements will significantly enhance the public's access and availability of the City's investment activity since the monthly and quarterly reports will be placed on the City's website and the quarterly investment report will be reported out from the MGWB Committee agenda to the City Council.

ANALYSIS

Staff recommends that the City's Investment Policy requirement for the detailed reporting of investment activity be revised from monthly to quarterly. Additionally, staff recommends that the Investment Policy include a requirement for an abbreviated monthly report to be distributed electronically to the City Council summarizing the highlights of the monthly investment activity with the following accompanying detailed reports:

Earned Income Summary

This report lists all investments in the City's portfolio as of the end of the month and shows the related earnings associated with each investment.

Broker Purchase Distribution

This report shows all purchase transactions for the reporting period by investment broker.

Investment Inventory with Market Value

This report reflects the detail of all investments in the City's portfolio sorted by investment type (Treasury Bills, Treasury Notes, Commercial Paper, LAIF, etc.).

Summarized below are required revisions to the City's Investment Policy to effectuate these recommendations. A draft copy of the Investment Policy with noted revisions highlighted is included with this memorandum.

- *Section 5.0 (E) – Delegation of Authority – Responsibilities of the City Council*
 - This section is revised to provide that the Council shall receive monthly and quarterly investment reports.
- *Section 5.0 (F) – Delegation of Authority – Responsibilities of the Investment Committee*
 - This section is revised to require that the Investment Committee meet at least quarterly to discuss investment activity.
- *Section 16.0 - Reporting*
 - This section is revised to change the reporting requirements for the investment report containing detailed information (comprehensive investment report) on all securities and investments from monthly to quarterly.
 - Additional language has been added to this section requiring an abbreviated monthly investment report summarizing the highlights of the monthly investment activity be distributed electronically or via written format (due to unforeseen technological issues) to the City Council, City Manager and City Auditor.
 - Additional language has been added requiring a statement of compliance to the City's Investment Policy be included in the abbreviated monthly report.

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- Additional language has been added to this section requiring the abbreviated monthly and detailed quarterly reports to the City Council be made available on the City's internet site (absent any unforeseen technological issues.)

PUBLIC OUTREACH

N/A

COORDINATION

This report has been coordinated with the City Attorney's Office.

CEQA

Not a project.

SCOTT P. JOHNSON
Director, Department of Finance

